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State Department review completed

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EASTERN EUROPE

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GENERAL

1. Comment on Italian Government's position on Japanese peace treaty:

The Italian Government is favorably considering the acceptance of the US-UK-French offer to assist in the negotiation of a bilateral treaty with Japan, even though the Foreign Office has formally protested Italy's exclusion from the multilateral Japanese peace conference and is reportedly much concerned over the effect of the exclusion on Italian public opinion. The Foreign Office reaction is probably due to the government's awareness that it must initially take a strong position on the issue, primarily in order to maintain prestige at home.

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2. Increase in Costa Rican ship registry linked with Far East trade:

Ship registrations under the Costa Rican flag have increased considerably in the past few months, according to the US Embassy in San Jose. Loose regulations attractive to foreign

ship owners are given as the cause. One ship has been reported en route from Bremen to pick up Middle East oil for Vladivostok. Local Costa Rican officials believe that, since Costa Rica is still at war with Germany, touching at a German port could be used as grounds for the withdrawal of registry.

Comment: Approximately 19 ships are now registered under the Costa Rican flag, about double the number registered one year ago. At least five of the larger ships have carried cargo to the

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Far East in recent months, and one of these (the tanker Aster) is currently under Soviet charter for trade between Vladivostok and Communist China. In view of Costa Rica's traditional willingness to cooperate with the US, there is every reason to expect that it would respond to US requests for tighter control of ship registry.

FAR EAST

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3. US Political Adviser warns against unequal treatment for Japanese at San Francisco:

The US Political Adviser in Tokyo, with the concurrence of General Ridgway, advises against any procedure which would exclude the Japanese delegation from the opening

sessions of the San Francisco peace conference until invited to participate by a resolution of the victor nations. He points out that in the light of past experience, the Japanese will be sensitive and tense, suspecting that any real or imagined discriminatory treatment is designed to stigmatize them as inferiors.

The Political Adviser also believes that such a procedure would be inconsistent with the announced conciliatory spirit of the treaty and with recent Occupation concepts; moreover, it would run the risk of rekindling the dormant desire of some nations to perpetuate the victor-vanquished relationship. He also feels that any unequal treatment for Japan would be resented by other Asian nations, and should the US become a party to any such concept of superiority, it might jeopardize the future of the entire US security program in the Far East.

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4. Rhee may dissociate South Korea from Kaesong negotiations:

As the result of a conversation with President Rhee, the US Ambassador in Pusan believes it will be most difficult during the course of the Kaesong conference to keep Rhee from publicly disassociating himself from the negotiations or from indicating he is being forced to "go along."

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Rhee feels he cannot publicly do anything which would give the impression that he accepts the partition of Korea. Now that the Kaesong conference agenda has been agreed upon and the possibility of an armistice exists, Rhee is infuriated by ROK participation, which implies his approval of any agreements reached. Rhee's present instructions to the ROK representative are to attend "for the time being only."

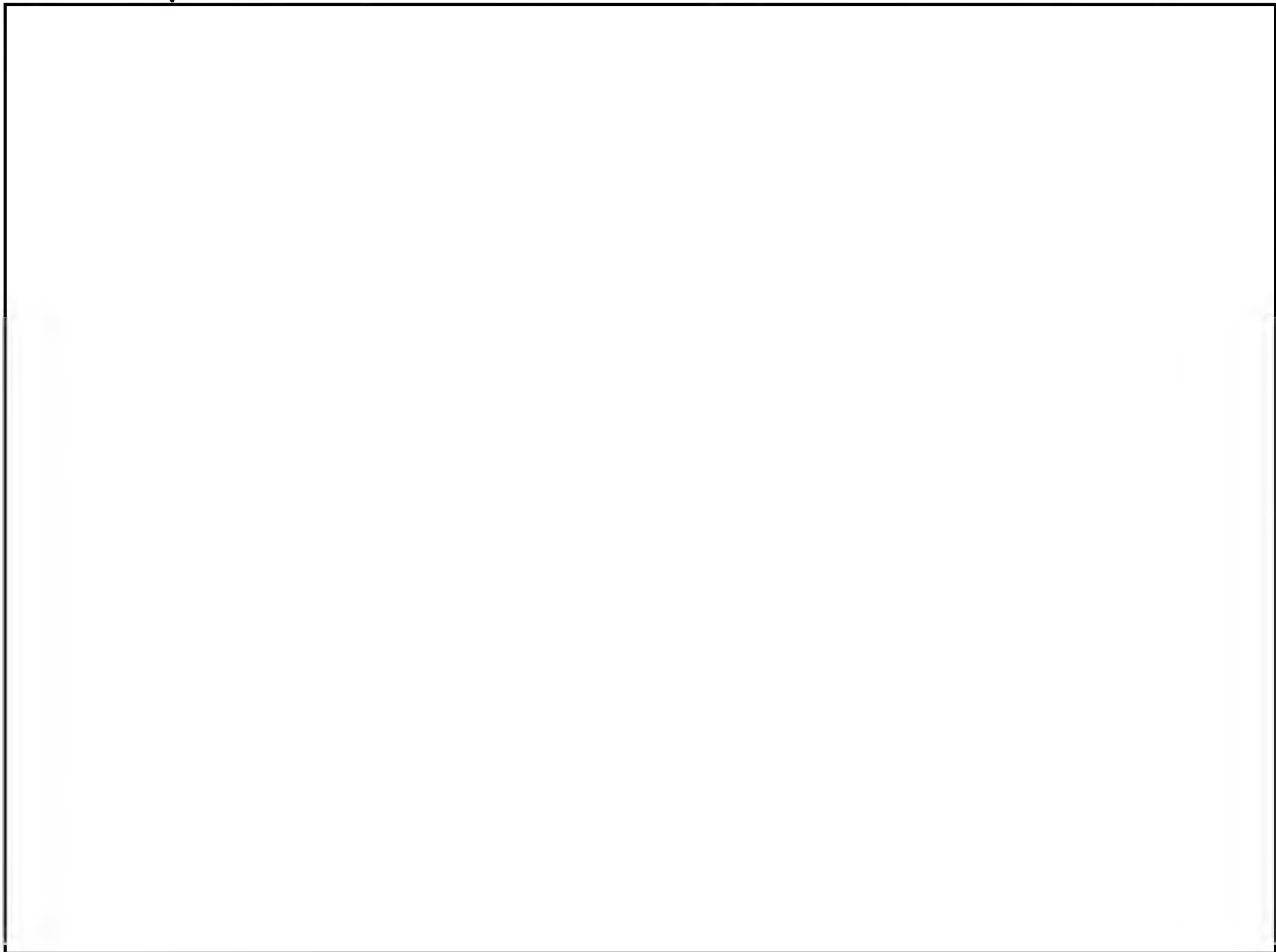
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EASTERN EUROPE

7. Popovic reluctant to reveal Yugoslav military strength:

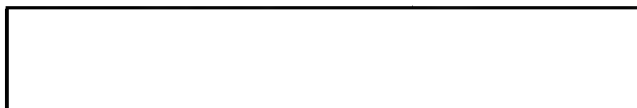
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Yugoslav officials have initially refused to answer an ECA questionnaire which would reveal the extent of Yugoslavia's military

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expenditures, the strength of its armed forces and other military information. Chief of Staff Popovic, in discussing the matter with Ambassador Allen, promised to report the inquiry to Tito and Kardelj, but expressed the personal opinion that the information requested was not commensurate with the amount of aid granted or assured. Popovic could not understand why ECA, a civilian agency, needed the information and felt that Yugoslav determination to use the aid in the common cause against Soviet aggression should be sufficient assurance to the US.

In view of the extreme Yugoslav sensitiveness regarding military information, Ambassador Allen suggests that the US should exercise patience and make the questionnaire as mild as possible in the beginning.

Comment: Despite its increasing reliance on Western economic and military assistance, Yugoslavia has been reluctant to join any Western-sponsored economic or military organization. For internal political reasons the regime probably considers it expedient to maintain an independent position and to continue its program of developing an independent Socialist state.

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